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CHINA MANDARIN HOLDINGS LIMITED

中國東方實業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 00009)

Financial Advisor to the Company



Grand Vinco Capital Limited

(A wholly-owned subsidiary of Vinco Financial Group Limited)

VERY SUBSTANTIAL ACQUISITION AND RESUMPTION OF TRADING

THE AGREEMENT

The Company is pleased to announce that on 16 November 2010 after trading hours the Agreement was entered into between the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Capital, representing the entire registered and paid-up capital of the Target Company, at the Consideration. The Consideration shall be satisfied as to HK\$160,000,000 by cash as initial refundable deposit payable on the date of the Agreement, as to HK\$ 24,872,000 to set off the Loan upon Completion and as to the remaining HK\$515,128,000 by the issue of the Convertible Bond upon Completion.

* For identification purpose only

IMPLICATION OF THE LISTING RULES

The Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules and accordingly, the transactions contemplated under the Agreement (including the issue of the Convertible Bond and the allotment and issue of the Conversion Shares) are subject to Shareholders' approval at the SGM.

More time may be needed to finalise the valuation report on the properties of the Enlarged Group. A circular containing, among other things, further details of the Acquisition and a notice of the SGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules and no later than 31 December 2010.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 17 November 2010 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 24 November 2010.

THE AGREEMENT

Date

16 November 2010

Parties to the Agreement

Purchaser: Brilliant Field Corporation Limited, an indirect wholly-owned subsidiary of the Company, as the purchaser

Vendor: Ya Tai (China) Investment Limited

The Vendor is beneficially owned as to 90% by Mr. Lo Chan Kau and as to 10% by Mr. Li Fu Chu. The principal business activity of the Vendor is investment holding in the Target Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, each of the Vendor, Mr. Lo Chan Kau and Mr. Li Fu Chu is an Independent Third Party and not related to the controlling shareholder of the Company, Mr. Cheng Keung Fai (including parties acting in concert with him). There were no prior transactions between the Company and the Vendor and their associates in the past 12 months prior to the date of the Agreement which would otherwise require aggregation under Rule 14.22 of the Listing Rules.

Assets to be acquired

Sale Capital, representing the entire interest in the registered and paid-up capital of the Target Company.

Consideration and payment terms

The Consideration shall be satisfied by the Purchaser in the following manner:

- (i) as to HK\$160,000,000 by cash as initial refundable deposit payable on the date of the Agreement;
- (ii) as to HK\$24,872,000 to set off the Loan upon Completion; and
- (iii) as to the remaining HK\$515,128,000 by the issue of the Convertible Bond upon Completion at a conversion price of HK\$0.0345 per Conversion Share.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor on normal commercial terms by reference to, among other things, the property valuation of HK\$703,000,000 by RHL Appraisal Limited, an independent property valuer, of the Development currently held by the Target Company as at 30 September 2010. The valuation report will be included in the circular to be despatched to the Shareholders in accordance with the Listing Rules.

The Company intends to satisfy the cash portion of the Consideration by internal resources, as to approximately HK\$90 million by the proceeds from the Open Offer and as to approximately HK\$70 million from the proceeds of the films rights mainly in respect of Ip Man 2.

Considering that the Acquisition and the Development have great investment potential and represent a valuable opportunity for the Group to increase its revenue and earning base, the Directors are of the opinion that the terms of the Agreement and the Consideration are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent to the Completion

Completion is subject to the following conditions being fulfilled or waived (as the case may be):

- (i) the Purchaser having been satisfied with the results of a due diligence review of the Target Company;
- (ii) the receipt by the Purchaser of a legal opinion, in the form and substance satisfactory to the Purchaser, to be issued by a firm of lawyers nominated by the Purchaser in the PRC and covering such matters relating to the ownership and business of the Target Company as may be required by the Purchaser;

- (iii) the Stock Exchange having granted the listing of and permission to deal in the Conversion Shares;
- (iv) all other approvals, consents and acts required (including the Listing Rules) having been obtained and completed;
- (v) the board of Directors having approved and authorised, among other things, the issue of the Convertible Bond to the Vendor (or its nominee);
- (vi) the passing of the ordinary resolution(s) by the Shareholders at the SGM for the approval of the transactions contemplated under the Agreement, including, but not limited to, the issue of the Convertible Bond and the allotment and issue of the Conversion Shares; and
- (vii) none of the warranties given by the Vendor under the Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect.

If the conditions set out above are not fulfilled or, as the case may be, waived (in respect of conditions numbered (i), (ii) and (vii) only) by the Purchaser on or before 12:00 noon on 31 March 2011, the obligations of the parties to the Agreement shall cease and neither party to the Agreement shall have any claims under the Agreement against the other save in respect of any antecedent breaches of the Agreement.

Completion

Completion shall take place on any day falling within five business days after all conditions of the Agreement have been fulfilled or waived or such later date as may be agreed between the parties to the Agreement.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the consolidated financial statements of the Group.

Principal terms of the Convertible Bond

Pursuant to the Agreement, the Company will issue the Convertible Bond in the principal amount of HK\$515,128,000 upon Completion. Set out below are the principal terms of the Convertible Bond:

Issuer	The Company
Principal amount of the Convertible Bond	HK\$515,128,000

Maturity Date	The date falling on the fifth anniversary of the date of the issue of the Convertible Bond (or if that is not a business day, the first business day thereafter)
Interest	The Convertible Bond carries a coupon interest rate of 0.5% per annum of the principal amount of the Convertible Bond payable to the holder(s) of the Convertible Bond. For any interest period calculation where the early redemption falls on the date before the end of the month, the interest payment for that particular period shall cover the interest payment for the whole month.
Conversion rights	Holder(s) of the Convertible Bond may, during the period commencing from the date of issue of the Convertible Bond up to 4:00 p.m. on the day immediately prior to and exclusive of the Maturity Date, convert the whole or part (in the amount or integral multiples of HK\$1,000,000) of the Convertible Bond into the Conversion Shares at the Conversion Price, credited as fully paid, and provided that no conversion right may be exercised if such exercise (i) triggers a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder(s) of the Convertible Bond which exercised the conversion right attaching to the Convertible Bond, such that the holder(s) of the Convertible Bond and parties acting in concert with it, when taken together, will be interested in 30% or more of the then issued share capital of the Company or such other percentage that will trigger a mandatory general offer obligation under Rule 26 of the Takeovers Code or otherwise pursuant to other provisions of the Takeovers Code; or (ii) results in the public float of the Shares being less than 25% of the issued Shares at any one time in compliance with the Listing Rules.
Conversion Price	HK\$0.0345 per Conversion Share, subject to the adjustment provision as contained in the instrument constituting the Convertible Bond.
Ranking of the Conversion Shares	The Conversion Shares will rank pari passu in all respects with the Shares in issue on the date of their allotment and issue and shall entitle the holder(s) of the Convertible Bond to participate in all dividends or other distributions on or after the date of their allotment.
Final redemption	The Company shall redeem the Convertible Bond which remains outstanding on the Maturity Date at its principal amount.
Early redemption by the Company	The Company may redeem, at 100% of the principal amount in cash, all outstanding Convertible Bond by giving the holder(s) of the Convertible Bond 10 working days' prior written notice.

Transferability

Subject to all applicable laws and regulations and prior notification to the Company, the Convertible Bond may be assigned or transferred in whole or in part (in the amount or integral multiples of HK\$1,000,000) and in whole only if the outstanding amount of the Convertible Bond is less than or equal to HK\$1,000,000 by the holder(s) of the Convertible Bond to any party other than a connected person of the Company.

The Company and the Directors will notify the Stock Exchange any dealings by the connected persons of the Company in the Convertible Bond from time to time immediately upon the Company becoming aware of it.

Voting rights

The holder(s) of the Convertible Bond shall not be entitled to attend or vote at any meetings of the Company by reason only of it being a holder of the Convertible Bond.

Conversion Price

The Conversion Price of HK\$0.0345 per Conversion Share represents:

- (i) A discount of approximately of 19.77% to the closing price of HK\$0.043 per Share as at the Last Trading Day;
- (ii) A discount of approximately 13.32% to the average of the closing prices of approximately HK\$0.0398 per Share for the five consecutive trading days up to and including the Last Trading Day;
- (iii) A premium of approximately 155.56% over the unaudited net asset value per Share of approximately HK\$0.0135 based on the unaudited net asset value of approximately HK\$282,061,000 as at 30 June 2010 and the outstanding 20,907,840,000 issued Shares as at the date of this announcement.

The Conversion Price is subject to adjustment based on prescribed formulas as set out in the instrument creating the Convertible Bond for the happening of the following adjustment events:

- (i) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision;
- (ii) an issue (other than in lieu of a cash dividend) of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account, contributed surplus account or capital redemption reserve fund);

- (iii) a capital distribution in cash or in specie other than out of distributable profits of the Company being made by the Company, whether on a reduction of capital or otherwise, to Shareholders in their capacity as such;
- (iv) an offer or grant being made by the Company to the Shareholders by way of rights, or a grant of options or warrants to subscribe for new Shares, at a price per Share which is less than 80% of the average closing price of one Share on the Stock Exchange for the last five Business Days on which dealings in the Shares took place ending on the last such dealing day preceding the day on or as of which the market price of the Shares is to be ascertained;
- (v) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per new Share is less than 80% of the average closing price of one Share on the Stock Exchange for the last five Business Days on which dealings in the Shares took place ending on the last such dealing day preceding the day on or as of which the market price of the Shares is to be ascertained, or the terms of any such rights of conversion, exchange or subscription attached to any such securities being modified so that the total effective consideration per Share is less than 80% of such average closing price;
- (vi) an issue of Shares being made wholly for cash at a price less than 80% of the average closing price of one Share on the Stock Exchange for the last five Business Days on which dealings in the Shares took place ending on the last such dealing day preceding the day on or as of which the market price of the Shares is to be ascertained; and
- (vii) an issue being made by the Company of Shares for the acquisition of asset at a total effective consideration per Share less than 80% of the average closing price of one Share on the Stock Exchange for the last five Business Days on which dealings in the Shares took place ending on the last such dealing day preceding the day on or as of which the market price of the Shares is to be ascertained.

No adjustment shall however be made in respect of:

- (i) an issue of fully paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon the exercise of any rights (including any conversion of the Convertible Bond) to acquire Shares;
- (ii) an issue of Shares or other securities of the Company or any subsidiary of the Company wholly or partly convertible into, or carrying rights to acquire, Shares to officers or employees of the Company or any of its subsidiaries pursuant to any employee or executive share scheme;
- (iii) an issue by the Company of Shares or by the Company or any subsidiary of the Company of securities wholly or partly convertible into or carrying rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;

- (iv) an issue of fully paid Shares by way of capitalisation of all or part of any subscription right reserve, or any similar reserve which has been or may be established pursuant to the terms of any securities wholly or partly convertible into or carrying rights to acquire Shares; or
- (v) an issue of Shares pursuant to a scrip dividend scheme where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value (calculation as provided in the instrument creating the Convertible Bond) of such Shares is not more than 120% of the amount of dividend which holders of the Shares could elect to or would otherwise receive in cash.

Every adjustment to the Conversion Price shall be certified either (at the option of the Company) by the auditors of the Company or by an approved merchant bank.

The Conversion Price of HK\$0.0345 was arrived at after arm's length negotiations among the Company, the Purchaser and the Vendor taking into account (i) the prevailing market price of the Shares; (ii) the unaudited net asset value per Share as at 30 June 2010, being HK\$0.0135; (iii) the business prospect of the Enlarged Group; and (iv) the relatively low liquidity in the trading of the Shares. Although the Conversion Price represents a discount to the recent closing price of the Shares, it represents an opportunity for the Company to strengthen its capital base. Based on the above, the Directors consider the Conversion Price fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Conversion Shares

As at the date of this announcement, there are 20,907,840,000 Shares in issue. Assuming the conversion rights attached to the Convertible Bond are exercised in full, the maximum number of the Conversion Shares is 14,931,246,376 Shares, representing;

- (i) approximately 71.41% of the existing issued share capital of the Company; and
- (ii) approximately 41.66% of the issued share capital of the Company as enlarged by the Conversion Shares.

The Conversion Shares, when allotted and issued, will rank pari passu in all respects with the Shares then in issue.

There are no restrictions on the subsequent disposal of the Conversion Shares.

LISTING APPLICATION

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in the Conversion Shares.

No application will be made by the Company for the listing of the Convertible Bond on any stock exchanges.

INFORMATION ON THE TARGET COMPANY AND THE DEVELOPMENT

The Target Company is a wholly foreign owned enterprise established in the PRC on 8 September 2008 and its entire registered and paid-up capital is owned by the Vendor. The principal business activity of the Target Company is property development, property management and hotel management. After Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

The Development comprises a parcel of land located at 湖南省湘潭市九華示範區黃河路以北，濱江路以西 (the northern side of Huanghe Road and the western side of Binjiang Road, Jiuhua Demonstrative Zone, Xiangtan, Hunan Province, the PRC). The Development is still in the planning stage and currently pending for future design and development. Under the current plan, the Development is intended to be developed into low-density residential units with condominiums and townhouses. A five-star hotel is also planned to be built on the Development. As advised by the Directors, to the best of their estimation, the construction and development of the Development is expected to take place in the third quarter of 2011. The expected time which the Development would be developed into residential units ready for sale is around the fourth quarter of 2012. The five-star hotel is expected to be completed and put into operation in early 2014 and the Target Company is expected to commence generating revenue/profits in the fourth quarter of 2012. Nevertheless, the Acquisition is yet to be completed and as confirmed by the Directors, no architecture plan and/or business plan has been finalised at this initial stage. Hence the expected time frame disclosed above is indicative only and subject to change.

As advised by the Company's PRC legal adviser, the Target Company has obtained all of the permits/licences/certificates vital to the construction and development of the Development, namely, 《國有土地使用權證》 (state-owned land use rights certificate) and 《建設用地規劃許可證》 (construction land planning permit). Other necessary permits/licenses such as 《建設工程規劃許可證》 (construction works planning permit) and 《施工許可證》 (construction permit) will be applied from relevant governmental authorities and/or regulatory bodies regarding the construction and developing of the Development at later stages in accordance with the progress of the project. At present, the Directors are not aware of any foreseeable obstacles in obtaining such permits/licences/certificates.

Pursuant to the state-owned land use rights certificate, namely, Tan Jiu Guo Yong (2010) Di No. A01017 (潭九國用(2010)第A01017號), and the construction land planning permit, namely, Di Zi Di Tan Jiu Gui No. 2010015223 (地字第潭九規2010015223號) as above-mentioned, the Development has a site area of approximately 290,338.00 sq.m. and a total permitted gross floor area of approximately 435,507.00 sq.m.

The terms for the grant of the land use rights of the Development are 70 years expiring on 10 June 2080 for residential use and 40 years expiring on 10 June 2050 for commercial use respectively.

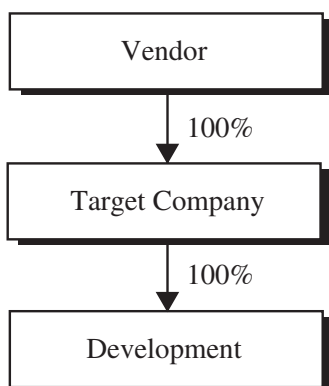
Set out below is a summary of the unaudited financial information of the Target Company for the period from 1 January 2010 to 30 September 2010 and for the year ended 31 December 2009:

	1 January 2010 to 30 September 2010	Year ended 31 December 2009
	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(unaudited)
Turnover	<u>0</u>	<u>0</u>
Loss after tax	<u>(3,674,022)</u>	<u>(3,110,390)</u>
	As at	As at
	30 September 2010	31 December 2009
	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(unaudited)
Net assets value	<u>93,092,491</u>	<u>27,185,042</u>

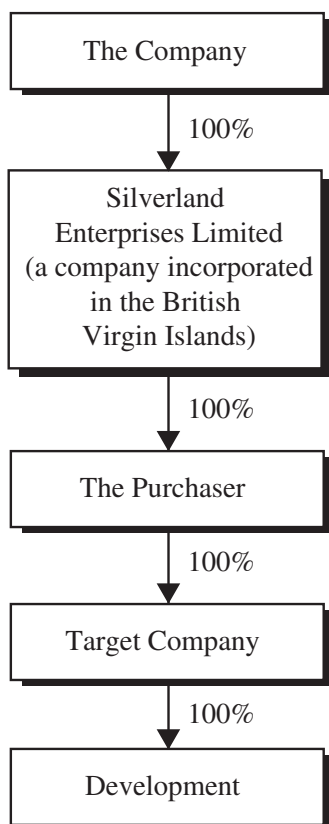
Apart from the Development, the Target Company has no major assets/liabilities.

The structures of the Group before and after the Completion are as follows:

Before the Completion:



After the Completion:



REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in film production and related businesses and property investments in the PRC.

During the recent years, the Group has experienced fierce competition from other market competitors and has been actively exploring new business opportunities with a view to diversifying its existing business. In 2008, the Group began to tap into the growing PRC property market by acquiring a five-storey shopping arcade in Chengdu, Sichuan Province, the PRC. The acquisition has proven to be beneficial to the Group's financial performance as it has provided a steady income stream to the Group.

The Development is located in Xiangtan, a prefecture-level city in central Hunan Province which lies in the middle reaches of the Xiang River. Xiangtan is only 40 km away from Changsha, the provincial capital of Hunan Province, or Zhuzhou, which makes a "golden triangle" of politics, economy and culture in Hunan province. The total area of Xiangtan is 5,015 square kilometers with a population of around 2.9 million.

Xiangtan has over 1,200 years of history. It is the birthplace of many celebrities, including Mao Zedong, the preeminent leader and first chairman of the PRC. In addition, Xiangtan has advantageous transportation system. The Changsha-Xiangtan Highway connects the city with Changsha, Zhuzhou and other cities in Hunan. State Highway 107 (which runs from Beijing to Shenzhen) and State Highway 320 (which runs from Shanghai to Kunming) run through the city. Changsha Huanghua Airport, 60km from Xiangtan's downtown area, offers regular flights to 50 cities such as Beijing, Shanghai and Guangzhou.

Under the current plan, the Development is intended to be developed into low-density residential units with condominiums and townhouses. A five-star hotel is also planned to be built on the Development in view of the developing tourism business of Xiangtan.

Given the capital intensive and long-term nature of property development projects, it is not uncommon for a property developer in the PRC to outsource the construction and development part of the project to a third-party contractor, which will not only be responsible for the construction, but also the funding of the construction and the contractor will be paid at a later stage. In order not to pose any eminent major pressure on the Group's cash flow and capital commitment, the Directors intend to source potential contractors who are well-established with sound financial position to construct and develop the Development with deferred payment by way of internal resources and/or sales proceeds from the properties. The Company has not identified any third-party potential contractors yet at this initial stage. As advised by the Directors, the costs mainly to be incurred by the Target Company during the design and construction stages would be for its daily operation and these general operating costs would be financed by internal sources of the Group and/or bank borrowings (if necessary).

The Directors consider that the Acquisition and the Development have great investment potential given its location and sizeable area of the site and represent a valuable opportunity for the Group to increase its revenue and earning base. The Directors (including the non-executive independent Directors) are of the view that the Acquisition is in the interest of the Company and the Shareholders as a whole.

After the Completion, the Company intends to continue engaging in the business of film production and related business in parallel with property investment in the PRC. The Company has no present intention to change the composition of the Board upon Completion. As at the date of this announcement, the Company has not and does not intend to enter any agreement, arrangement, understanding or negotiation to dispose of or discontinue its existing principal business or relevant assets (whether concluded or not).

INFORMATION ON THE KEY MANAGEMENT STAFF OF THE TARGET COMPANY

As none of the Directors currently has the specific experience and expertise in the field of property construction and development, the Target Company will enter into a three-year service contract with each of the two key management staff of the Target Company, namely, Mr. Li Fu Chu and Mr. Jin Lei, who have extensive experience and expertise required to monitor and operate the new business of the Target Company and the Development. As confirmed by the Directors, each of Mr. Li and Mr. Jin will become a member of the senior management of the Group but not a Director upon Completion. The Board will retain the responsibility of monitoring and supervision of the corporate management and financial affairs of the Target Company. The Company currently has no recruitment plan apart from entering into the service contracts with Mr. Li and Mr. Jin.

Background information on Mr. Li and Mr. Jin is set out as follows:

Mr. Li Fu Chu, aged 64, chairman and managing director of the Target Company and one of the beneficial owners of the Vendor, joined the Target Company since its incorporation. Mr. Li was the managing director of 湖南華宇企業有限公司 (Hunan Huayu Enterprise Company Limited) from 1985 to 1988 and 華湘(海南)有限公司 (Huaxiang (Hainan) Company Limited) from 1989 to 1992. Mr. Li was also appointed as the vice chairman of 長沙恒鑫置業有限公司 (Changsha Hengxin Property Company Limited) from 2004 to 2007. In 2006, 恒鑫•南北灣 (Hengxin North South Bay), being one of the properties of 長沙恒鑫置業有限公司 (Changsha Hengxin Property Company Limited), was developed by Mr. Li and was awarded the best property in Changsha. Mr. Li has over 10 years experience in property development and sales management and over 30 years experience in corporate management in the PRC. In addition, he is a member of the 7th, 8th, 9th and 10th Hunan Committee of Chinese People's Political Consultative Conference, an associate head of 湖南省政協港澳台僑及外事委員會 (Hong Kong, Macau and Taiwan and Foreign Affairs Committee of the Chinese People's Political Consultative Conference of Hunan Province) and the vice-president of 湖南省海外聯誼會 (Hunan Overseas Friendship Association).

Upon Completion, Mr. Li will be responsible for the Group's property and hotel management division.

Mr. Jin Lei, aged 38, vice-chairman and executive director of the Target Company, joined the Target Company in September 2008. Mr. Jin has over 17 solid years experience in property development. Mr. Jin was a chief civil engineer of 山東淄川建築設計院 (Architectural Design Institute of Shandong Zichuan) from 1993 to 1995. Additionally, from 1995 to 2001, Mr. Jin was 主任工程師 (engineer supervisor) of 山東黃淮糧油機械集團 (濟寧機械設計院土木建築室) (Shandong Huanghuai Cereals & Oils Machinery Group Company (Civil Construction House of Jining Machinery Design Institute)). In 2002, Mr. Jin was awarded by the municipal government of Jining City, Shandong Province, the PRC as one of the Top 100 Managerial Talents in Economics (百名經濟管理人才). Mr. Jin holds a bachelor degree of 工業及民用建築 (industrial and residential architecture) from 華東交通大學 (East China Jiaotong University) and a master degree of business administration from 中國人民大學 (Renmin University of China).

Mr. Jin will be responsible for the Group's property development division upon Completion.

SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the exercise of the conversion rights attaching to the Convertible Bond up to 29.9% of the issued share capital of the Company; and (iii) immediately after the exercise of the conversion rights attaching to the Convertible Bond in full (for illustration purposes only):

	As at the date of this announcement		Immediately after the exercise of the conversion rights attaching to the Convertible Bond up to 29.9% of the issued share capital of the Company		Immediately after the exercise of the conversion rights attaching to the Convertible Bond in full (Note)	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Mr. Cheng Keung Fai and parties acting in concert with him	11,053,906,905	52.87	11,053,906,905	37.06	11,053,906,905	30.84
Public Shareholders	9,853,933,095	47.13	9,853,933,095	33.04	9,853,933,095	27.49
The Vendor and the parties acting in concert with it	—	—	8,917,894,664	29.90	14,931,246,376	41.66
Total	<u>20,907,840,000</u>	<u>100</u>	<u>29,825,734,664</u>	<u>100</u>	<u>35,839,086,376</u>	<u>100</u>

Note: The Convertible Bond cannot be converted into Shares if the holder of the Convertible Bond and its parties acting in concert will be holding not less than 30% of the entire issued Shares or such other percentage as it will trigger off general offer obligations on the part of the holder of the Convertible Bond. The figures shown in this column is for illustration purposes only.

FUND-RAISING IN THE PAST 12 MONTHS

The Company successfully placed a total of 435,580,000 placing shares to not less than six placees at a placing price of HK\$0.145 per placing share on 20 November 2009. The net proceeds of approximately HK\$62.3 million was applied for repayment of debts and general working capital of the Group as intended.

The Company completed the Open Offer of seven offer shares for one existing share held on hand at a price of HK\$0.0109 per share in September 2010 and raised net proceeds of approximately HK\$193.4 million. As disclosed in the Prospectus, approximately HK\$57 million of the net proceeds will be used for funding the remaining investment under the joint venture agreement dated 21 June 2010 (details of which are contained in the announcement of the Company dated 21 June 2010) and the remaining balance will be used for production of other “kung-fu” films similar or related to the Ip Man series and the general working capital of the Group. The Company intends to use HK\$90 million from the pool of the general working capital for partial payment of the initial refundable deposit of the Consideration. The Directors consider that allocation of the general working capital for partial payment of such initial refundable deposit does not entail a change of use of proceeds. Accordingly, the Directors confirm that there has been no change of use of proceeds. The remaining balance of approximately HK\$46 million are intended to be used for film production.

Save for disclosed above, the Company has not conducted any fund raising activities in the past 12 months.

IMPLICATION OF THE LISTING RULES

The Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules and accordingly, the transactions contemplated under the Agreement (including the issue of the Convertible Bond and the allotment and issue of the Conversion Shares) are subject to Shareholders’ approval at the SGM.

GENERAL

A SGM will be convened at which ordinary resolution(s) will be proposed to consider and, if thought fit, approve the Agreement, issue of the Convertible Bond and the transactions contemplated thereunder. Since no Shareholders have a material interest in any of such resolutions, no Shareholder will be required to abstain from voting at the SGM.

More time may be needed to finalise the valuation report on the properties of the Enlarged Group. A circular containing, among other things, further details of the Acquisition and a notice of the SGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules and no later than 31 December 2010.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 17 November 2010 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 24 November 2010.

DEFINITIONS

“Acquisition”	the purchase of the Sale Capital by the Purchaser from the Vendor pursuant to the terms of the Agreement
“Agreement”	the sale and purchase agreement in relation to the Acquisition
“associate”	shall have the same meaning ascribed to it in the Listing Rules
“Company”	China Mandarin Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms of the Agreement
“Consideration”	the total consideration of HK\$700,000,000 for the Acquisition
“controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	the initial conversion price of HK\$0.0345 per Conversion Share
“Conversion Shares”	up to 14,931,246,376 new Shares to be issued upon the exercise of the conversion rights attached to the Convertible Bond
“Convertible Bond”	the convertible bond in the principal amount of HK\$515,128,000 to be issued by the Company, which shall entitle the holder(s) thereof to convert the principal amount outstanding into the Conversion Shares at the Conversion Price (subject to adjustment)
“Development”	the property/hotel development project at 湖南省湘潭市九華示範區黃河路以北，濱江路以西 (northern side of Huanghe Road and western side of Binjiang Road, Jiuhua Demonstrative Zone, Xiangtan, Hunan Province, the PRC) with a gross area of approximately 325,989 sq.m held under the Target Company
“Directors”	directors of the Company
“Enlarged Group”	the Group and the Target Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with the Company and its connected persons
“Last Trading Day”	16 November 2010, being the last trading day immediately prior to the entering into of the Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the sum of RMB21,276,150 (equivalent to approximately HK\$24,872,000) due from the Vendor to the Target Company
“Maturity Date”	the date falling on the fifth anniversary of the date of the issue of the Convertible Bond (or if that is not a business day, the first business day thereafter)
“Open Offer”	the open offer of the Company completed in September 2010, details of which are contained in the Prospectus
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus of the Company dated 7 September 2010 in relation to the Open Offer
“Purchaser”	Brilliant Field Corporation Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Sale Capital”	the interest in the entire registered and paid-up capital of the Target Company
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and approve, among other matters, if thought fit, the Agreement and the issue of the Convertible Bond in connection thereto
“Share(s)”	Share(s) of HK\$0.01 each in the share capital of the Company

“Shareholders”	holders of the Shares
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Target Company”	湖南九華國際新城開發建設有限公司 (Hunan Jiuhua International City Development Construction Company Limited), a wholly foreign owned enterprise established in the PRC and wholly owned by the Vendor
“Vendor”	Ya Tai (China) Investment Limited, a company incorporated in Hong Kong with limited liability and an Independent Third Party
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq. m”	square metres

By Order of the Board
China Mandarin Holdings Limited
Lai Pik Chi Peggy
Chairman

Hong Kong, 23 November 2010

As at the date hereof, the Board comprises six Directors. The executive Directors are Ms. Lai Pik Chi, Peggy (Chairman), Ms. Law Kee, Alice (Chief Executive Officer) and Mr. Hui Wai Lee, Willy; and the independent non-executive Directors are Mr. Tsui Pui Hung, Mr. Chan Tung Tak, Alain and Mr. Tang Ping Sum.

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of RMB1 to HK\$1.169. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate or at all.